

MUTUAL RELEASE AND SETTLEMENT AGREEMENT

This Mutual Release and Settlement Agreement (hereinafter, the "Agreement") is made and entered into by and between the County of Los Angeles ("COUNTY") and Merrimac Petroleum Company, Inc. dba Merrimac Energy Group ("MERRIMAC"), collectively referred to herein as "the Parties."

RECITALS

This Agreement is made with reference to the following facts:

- A. Whereas, on or about November 1, 2006, the County and Merrimac entered into Master Agreement – Aviation Fuel (MA-IS-42906-8) ("Aviation Fuel Contract") which was subsequently amended, pursuant to which Merrimac supplied aviation fuel to various County departments;
- B. Whereas, on or about September 1, 2008, the County and Merrimac entered into Master Agreement – Propane, Bulk (MA-IS-43716-8) ("Propane Contract"), which was subsequently amended, pursuant to which Merrimac supplied propane to various County departments;
- C. Whereas, on or about April 1, 2009, the County and Merrimac entered into Master Agreement – Gasoline (MA-IS-43873-1) ("Gasoline Contract"), which was subsequently amended, pursuant to which Merrimac supplied gasoline to various County departments, and, whereas, the Aviation Fuel Contract, Propane Contract, and Gasoline Contract are collectively referred to herein as the "Fuel Contracts";
- D. Whereas, disputes arose between the Parties concerning the Fuel Contracts;
- E. Whereas, on or about April 23, 2013, the County filed a complaint against Merrimac styled *County of Los Angeles vs. Merrimac Petroleum Company dba Merrimac Energy Group, et. al*, Los Angeles County Superior Court Case No. BC506816 alleging, among other things, that Merrimac wrongfully overcharged the County for fuel in connection with the Fuel Contracts and other allegations, asserting causes of action for breach of contract, violation of the California False Claims Act, intentional misrepresentation and negligent misrepresentation, and seeking relief including but not limited to compensatory damages, punitive damages, statutory damages, prejudgment interest, costs, and other relief;
- F. Whereas, on about December 23, 2013, Merrimac filed a cross-complaint against the County in Case No. BC506816 styled *Merrimac Petroleum Company dba Merrimac Energy Group vs. County of Los Angeles* alleging, among other things, that the County defrauded Merrimac, over-ordered fuel, under-ordered fuel, and other allegations, asserting causes of action for intentional misrepresentation, negligent misrepresentation, breach of contract, breach of the implied covenant of good faith and fair dealing, quantum meruit, money due, and account stated, and seeking relief including but not limited to, compensatory damages, punitive damages, prejudgment interest, attorneys' fees, and other relief, and, whereas, the County's complaint and Merrimac's cross-complaint are collectively referred to as the "Action";

- G. Whereas, on or about January 31, 2014 and March 6, 2014, the Parties mediated their disputes concerning the Fuel Contracts before the Honorable John Zebrowski (Ret.) of ADR Services, Inc., and whereas at the conclusion of the March 6, 2014 mediation session the Parties subsequently entered into a written Stipulation for Settlement, and, whereas the Parties are now entering into this Settlement Agreement in order to set forth a more complete expression of the terms of their settlement;
- H. Whereas, the Parties desire to resolve any and all claims, demands, and causes of action which they may have against each other arising out of or relating to, and any and all disputes they may have against each other arising out of or relating to, the Fuel Contracts and/or the Action (hereinafter "Dispute");
- I. Whereas, nothing in this Agreement shall be construed as an admission of liability or culpability by either of the Parties.

NOW THEREFORE, in consideration of the mutual promises, covenants, representations, conditions, releases and other consideration receipt of which is hereby acknowledged, the Parties agree as follows:

1. Payment to the COUNTY. No later than April 22, 2014, MERRIMAC shall pay the COUNTY the sum of \$550,000 (five hundred fifty thousand dollars) by delivery of a cashier's check in this amount payable to "County of Los Angeles" ("Settlement Payment") to COUNTY's attorney, Coleman Frost LLP, 429 Santa Monica Blvd., Suite 700, Santa Monica, CA 90401, attention Derrick Coleman. COUNTY's attorney shall hold said Settlement Payment in trust for the benefit of MERRIMAC and not release the Settlement Payment to the COUNTY until after the dismissals of the Action with prejudice have been filed in accordance with Paragraph 7 herein. In the event that, pursuant to Section 4 below, the COUNTY Board of Supervisors does not approve the settlement, the Settlement Payment shall be promptly returned to MERRIMAC within 2 (two) business days of the COUNTY Board of Supervisor's decision not to approve the settlement.

2. Release by the COUNTY. Effective upon the Effective Date, the COUNTY, on behalf of itself, and its past, present and future officers, members of the Board of Supervisors, Special Districts, elected and appointed officers, managers, employees, representatives, agents, attorneys, administrators, departments, divisions, agencies, subsidiaries, predecessors, successors and assigns, hereby forever releases, discharges and acquits MERRIMAC and MERRIMAC's past, present and future directors, officers, shareholders, managers, employees, representatives, agents, attorneys, business units, business segments, departments, divisions, subsidiaries, predecessors, successors and assigns (individually and collectively, the "MERRIMAC Released Parties"), from any and all rights, claims, contracts, demands, costs, liabilities, obligations, actual or potential causes of action (whether in contract, tort, equity, or otherwise) of every kind, known and unknown, that have been raised or could have been raised, now existing or arising in the future, arising out of or in any way relating to the Dispute.

(a) the COUNTY acknowledges and agrees that the release that it gives to the MERRIMAC Released Parties on executing this Agreement applies to all claims for injuries, damages, or losses whether those injuries, damages, or losses are known or unknown, foreseen or unforeseen, or patent or latent that it may have against the MERRIMAC Released Parties. The COUNTY waives application of California Civil Code Section 1542.

(b) The COUNTY certifies that it has read and understands the following provisions of Civil Code Section 1542:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

(c) The COUNTY understands and acknowledges that in consequence of this waiver of Civil Code Section 1542, even if it should eventually suffer actual and/or claimed additional damages arising out of the facts in any way relating to the Dispute, it will not be able to make any claim for those damages. Furthermore, the COUNTY acknowledges that it consciously intends these consequences even as to claims for damages that may exist as of the date of this release but that it does not know exist, and that, if known, would materially affect its decision to execute this release, regardless of whether its lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

3. Release by MERRIMAC. Effective upon the Effective Date, MERRIMAC, on behalf of itself, and its past, present and directors, officers, shareholders, managers, employees, representatives, agents, attorneys, administrators, business units, business segments, departments, divisions, subsidiaries, predecessors, successors and assigns, hereby forever releases, discharges and acquits the COUNTY and the COUNTY's past, present and future officers, members of the Board of Supervisors, Special Districts, elected and appointed officers, managers, employees, representatives, agents, attorneys, administrators, departments, divisions, agencies, subsidiaries, predecessors, successors and assigns (individually and collectively, "the COUNTY Released Parties"), from any and all rights, claims, contracts, demands, costs, liabilities, obligations, actual or potential causes of action (whether in contract, tort, equity, or otherwise) of every kind, known and unknown, that have been raised or could have been raised, now existing or arising in the future, arising out of or in any way relating to the Dispute.

(a) MERRIMAC acknowledges and agrees that the release that it gives to the COUNTY Released Parties on executing this Agreement applies to all claims for injuries, damages, or losses whether those injuries, damages, or losses are known or unknown, foreseen or unforeseen, or patent or latent that it may have against the COUNTY Released Parties. MERRIMAC waives application of California Civil Code Section 1542.

(b) MERRIMAC certifies that it has read and understands the following provisions of Civil Code Section 1542:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

(c) MERRIMAC understands and acknowledges that in consequence of this waiver of Civil Code Section 1542, even if it should eventually suffer actual and/or claimed additional damages arising out of the facts in any way relating to the Dispute, it will not be able to make any claim for those damages. Furthermore, MERRIMAC acknowledges that it consciously intends these consequences even as to claims for damages that may exist as of the date of this release but that it does not know exist, and that, if known, would materially affect its decision to execute this release, regardless of whether its lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

4. Effective Date; Agreement Conditioned Upon Approval by the COUNTY Board of Supervisors. Without in any way limiting any other provision of this Agreement, Agreement is expressly conditioned upon approval by the COUNTY Board of Supervisors. As of the signing of this Agreement, the COUNTY Board of Supervisors has not approved this Agreement.

5. Dismissals, C.C.P. Section 664.6. Within 5 (five) days after the Effective Date, the Parties shall file a joint dismissal of Case No. BC506816 with prejudice, including the COUNTY's complaint and MERRIMAC's cross-complaint. The Parties agree to request that the Court reserve jurisdiction to enforce the terms of this Agreement pursuant to Code of Civil Procedure Section 664.6 and the joint dismissal shall include the statement that "The Parties request that the Court reserve jurisdiction pursuant to C.C.P. Section 664.6."

6. COUNTY Notification. Within 30 (thirty) days after the Effective Date, the COUNTY will notify all current COUNTY employees whom the COUNTY knows have worked with MERRIMAC as follows: "Dear Employee: The County has reached a settlement of its dispute with Merrimac Petroleum Company dba Merrimac Energy Group. You are instructed not to disparage Merrimac in any way."

7. Restriction on MERRIMAC and Mary Hazelrigg Bids on COUNTY Contracts. MERRIMAC and Mary Hazelrigg shall not bid on any COUNTY contracts prior to March 7, 2019. If at any time after March 6, 2016, Mary Hazelrigg ceases to have any connection with MERRIMAC, then such time that Mary Hazelrigg ceases to have any connection with MERRIMAC, MERRIMAC may bid on COUNTY contracts.

8. Effective Date: This Agreement shall become effective only after (i) execution by both Parties, (ii) receipt of the Settlement Payment by COUNTY's attorney Coleman Frost LLP, and (iii) approval by the COUNTY Board of Supervisors, whichever of (i), (ii) or (iii) is later ("Effective Date").

9. Binding upon Successors and Assigns. Without in any way limiting any of the provisions of this Agreement, including but not limited to, the releases set forth in paragraphs 2 and 3 above, this Agreement shall be binding upon the Parties' respective successors and assigns.

10. Authority. The Parties hereto, and each of them, represent and warrant that they have the sole right and exclusive authority to execute this Agreement, that they are not restricted in doing so, and further represent and warrant that they have not sold, assigned, transferred, conveyed, hypothecated or otherwise disposed of any claim or demand relating to any matter covered by this Agreement, with the exception that as set

forth in Paragraph 4 above this Agreement is conditioned upon its approval by the COUNTY Board of Supervisors.

11. Good Faith; Other Actions. The Parties expressly covenant to deal with each other in good faith in the performance of this Agreement.

12. Integration. This Agreement contains the entire agreement of the Parties hereto with respect to the subject matter herein contained. There are no restrictions, promises, warranties, covenants, undertakings or representations other than those expressly set forth herein, and each Party hereby expressly acknowledges that it has not relied upon any restrictions, promises, warranties, covenants, undertakings or representations whatsoever by any Party hereto, nor any agent or attorney of any other Party hereto, other than those expressly contained herein. This Agreement may be amended only by written instrument executed by all of the Parties hereto.

13. Advice of Attorney. Each Party warrants and represents that in executing this Agreement, such Party has consulted with, or had a full and fair opportunity to consult with, legal counsel of that Party's choice concerning this Agreement and that each Party fully understands the terms of this Agreement. It is further acknowledged and represented that, in executing this Agreement, each Party has not relied on any inducements, promises, or representations made by any other Party or any other Party's representative other than those described herein.

14. Free and Voluntary Execution. Each Party acknowledges and warrants that such Party's execution of this Agreement is free and voluntary.

15. Attorneys' Fees and Costs. Each Party to this Agreement shall bear any and all attorneys' fees and costs arising from that Party's own counsel in connection with the Dispute.

16. Governing Law. This Agreement is entered into, and shall be construed and interpreted, in accordance with the laws of the State of California.

17. Counterparts. This Agreement may be executed in counterparts. A facsimile signature will be deemed to be equally as valid as an original signature.

18. Notices. Any notices given pursuant to this Agreement shall be given by personal delivery, first-class mail, facsimile, or overnight mail as follows (said address/fax information may be changed if sent in writing to the other Party):

If to the COUNTY:
Derrick Coleman, Esq.
Coleman Frost LLP
429 Santa Monica Blvd., Suite 700
Santa Monica CA 90401
Fax: (310) 899-1016

and

If to MERRIMAC:
Jeffrey Rosenfeld, Esq.
Monica Scott, Esq.

DLA Piper LLP (US)
2000 Avenue of the Stars
Suite 400 North Tower
Los Angeles CA 90067-4704
Fax: (310) 595-3300

The undersigned has read, understands, and agrees to all terms and conditions as set forth above and represents that he has full authority to execute this Agreement.

COUNTY OF LOS ANGELES

Signed: x James E. Jones Date: 4-15-14
Print name: James Jones
Title: Director, ISD

MERRIMAC PETROLEUM COMPANY, INC. dba MERRIMAC ENERGY GROUP

Signed: x Mary Hazelrigg Date: 4/11/14
Print name: Mary Hazelrigg
Title: President